

MANUFACTURING EXTENSION PARTNERSHIP

Success Stories from the Field

Santa Fe Mining Co.

New Mexico Manufacturing Extension Partnership

Santa Fe Mining Company Drills To The Bottom Of Purchasing Problems

Client Profile:

Santa Fe Mining Company, founded in 1958, is a primary producer of volcanic scoria (commonly called "lava rock" or "volcanic cinders"). The company's products are shipped throughout the United States and abroad, including Canada, Europe, and the Pacific Rim. Its diverse customer base includes the landscaping, construction, horticulture, road base, ice control, and gas grill products industries. Located in Las Cruces, New Mexico, the company employs less than 100 people.

Situation:

Santa Fe Mining Company (SF Mining) was experiencing long processing delays in its Accounts Payable department. Although SF Mining did not have cash flow issues, the delays negatively impacted its supply chain relationships by constantly exceeding contract terms. SF Mining needed to find a way to speed its payment process, and contacted the New Mexico Manufacturing Extension Partnership (New Mexico MEP), a NIST MEP network affiliate, for assistance.

Solution:

New Mexico MEP worked with SF Mining to address this front office problem by conducting an administrative value stream map (VSM) to uncover the bottlenecks. A cross functional team from SF Mining worked together with New Mexico MEP and discovered that a lack of standardization in the purchasing department was the root cause of these problems. Invoices and packing lists were frequently misplaced or lost, leading to duplicate efforts by Accounts Payable and the supplier. Purchase orders often lacked complete information. To add to the confusion, Purchasing was housed in a separate building with no networked links to the Accounts Payable system. With so many opportunities for paperwork to disappear, multiple approval processes had been built in, contributing to the payment delays.

New Mexico MEP established standard work instructions, which included the minimum acceptable criteria for ordering along with examples of correct purchase orders. New Mexico MEP also recommended that Purchasing be removed from the approval cycle, eliminating many unnecessary steps. SF Mining empowered each department head to purchase up to a certain dollar amount without any approval, and eliminated the approval process for standard monthly bills, such as utilities. Accounting now enters utility bills and has the system track trends. Only major variances need approval. As a

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result, accounting wait time has dramatically decreased, non-value-added time was eliminated from Accounts Payable business cycles, and the department was also able to reduce or eliminate the number of reports issued.

Results:

Eliminated 19 out of the 31 steps in the approvals process.

Experienced a 66 percent non-value-add process time and a 53 percent value-add process time.

Reduced invoice handling and movement by 50 percent .

Testimonial:

"As a result of the VSM [conducted by the New Mexico Manufacturing Extension Partnership] we were able to work as a team and resolve our own problem. We eliminated the purchasing bottleneck. The new system is working and the accounts payable manager is under less stress."

Rose Rodrigues, Director of Human Resources